

Dear Senate Energy and Technology Committee members

Testimony against SB 438

It would be helpful in realizing that subsidies are everywhere, and most staples people buy are government supported. Our food is absurdly cheap, for instance, and it is estimated without Farm Bill subsidies a gallon of milk would cost \$7.00.

Yet, here and now, before this body, Consumers Energy (“CMS”), Detroit Edison (“DTE”), and their allies seem to think it is somehow unfair, even unseemly, to have energy subsidies. First, I am not at all convinced net metering entails subsidies. When energy is generated and used at the same place, it never enters the “grid”, sparing use of transformers, substations, etc. Surely there is an economic benefit, perhaps substantial, to that lessening of load on the “grid.” CMS and DTE have testified that it costs about 5 cents per kwh to actually generate energy, and another 10 cents per kwh to distribute that energy. Given energy use in Michigan, that makes for a lot of infrastructure expense annually (roughly \$5.3 billion per year) which net metered customers fully or partially avoid.

But if you disagree with that assertion, a great place to start I believe is with Mother Jones, an admittedly left leaning publication, yet here is an impeccably accurate history of the annual subsidies to Big Oil, usually passed with minimal to no debate, for a full 100 years without a single year's interruption. Oil and gas, whose leaders such as British Petroleum, Exxon Mobil and Chevron are some of the wealthiest companies on earth, still receive billions of dollars yearly of American largesse from the American taxpayers. There are plenty of indirect subsidies as well. Our nation rarely enforces dumping laws for instance, a special problem in states, it seems, with large drilling operations.

In Michigan, despite the lack of any mining or refining of coal, the bulk of Michigan's energy comes from coal. Nuclear is second. Both of these energy sources, in which DTE and CMS are both active, entail enormous subsidies. Nuclear energy in this country has received research and development, along with direct subsidies such as loan guarantees since 1947. Nuclear energy has since 2005 received a production tax credit of about two cents per kwh, quite similar to what wind and solar have been getting.

Coal is of course the leading subsidy glutton of them all. Much, but not all, of that subsidy is indirect. In Michigan, for instance, despite no mines, our state spends some \$1.5 billion each year on health impacts related to coal, such as childhood asthma. Utilities that use coal, and the various companies that mine, process and distribute that coal, do not pick up the tab for those health care costs. Taxpayers did. Wind and solar energy sources avoid these health issues and associated costs. Overall, given the far higher costs in mining states, it was estimated a few years back that coal receives an annual subsidy of \$350 to \$550 billion.

It is not just at the Federal level that nuclear and fossil fuels receive subsidies, tax breaks, and or loan guarantees. Just last year, this body and the legislature overall approved HB 4885, giving excise tax cuts to certain pipeline operations.

So, before you concern yourselves with whether solar or wind or geothermal receive subsidies, realize that every single energy source does also.

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